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RUEHNR/AMEMBASSY NAIROBI PRIORITY 0111  
RUEHNC/AMEMBASSY NOUAKCHOTT PRIORITY 3179  
RUEHFR/AMEMBASSY PARIS PRIORITY 4213  
RUEHRH/AMEMBASSY RIYADH PRIORITY 0623  
RUEHTU/AMEMBASSY TUNIS PRIORITY 8889  
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C O N F I D E N T I A L RABAT 001011

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TAGS: [ECON](#) [ETRD](#) [MO](#) [PBTS](#) [PGOV](#) [PREL](#)

SUBJECT: CHINESE AMBASSADOR ON HU VISIT, WESTERN SAHARA,  
AND THE PRICE OF BUSINESS

REF: A. RABAT 880

[1](#)B. BEIJING 6530

[1](#)C. BEIJING 7092

Classified By: Ambassador Thomas T. Riley for Reasons 1.4 (b) and (d).

[1](#)1. (C) Summary: During a 75-minute meeting May 22, Chinese Ambassador Cheng Tao downplayed the significance of the April 23-25 visit to Morocco of Chinese President Hu Jintao, noting that the Chinese leadership visits Africa annually. Nevertheless Cheng said Morocco-China relations are good, and have been so historically, with Morocco being the second country in Africa to recognize the PRC. Economic cooperation between the two countries is relatively developed, he said, although he harped on Moroccan inefficiency and red tape as impediments to serious Chinese investment. On the Western Sahara, Ambassador Cheng made clear that the Moroccan media had exaggerated the extent of the meeting between President Hu and the head of the Royal Council for Saharan Affairs (CORCAS) Khali Henna; while the Moroccans had lobbied hard for a more substantive exchange, the encounter consisted of a handshake in the lobby of the Hilton Hotel. End Summary.

Hu's Visit: Nothing Special  
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[1](#)2. (C) Ambassador Riley called on Chinese Ambassador Cheng Tao May 22 for a read-out of Chinese President Hu Jintao's April 23-25 visit to Morocco and to discuss Chinese views on the Western Sahara. Polcouns accompanied, while Ambassador Cheng was alone. The conversation took place in French. Cheng said there was "nothing in particular" about the visit to Morocco (only one of three stops in Africa, following the US and Saudi Arabia), as the Chinese leadership visits Africa annually. That said, Cheng stressed that relations between China and Morocco have been good from the outset, as Morocco was the second country in Africa to recognize the PRC in 1958, two years after Morocco's independence (other African countries, he said, had fallen in behind Morocco, among them Guinea, Mali, and Ghana). Relations were strong even though the two economic systems were different, Cheng said. China does not give Morocco a lot of assistance, he stressed, as Morocco is already relatively developed compared to China. But there is economic cooperation, he said.

13. (C) Ambassador Cheng said a particularly active field of cooperation between China and Morocco is the health sector. Chinese medical teams are among the most important in Africa, he said. They rotate every two years in the countries to which they are assigned. Chinese doctors are in twelve cities in Morocco, including distant places (from Rabat) such as Agadir, Er Rachidia, Al Hoceima, and Ben Guerir, outside of Marrakech. They serve as volunteers, somewhat like the Peace Corps, he said, and are welcomed by the Moroccans. The doctors get one paid trip home every year, or a chance to invite their families to Morocco.

14. (C) Another important area of cooperation between China and Morocco is the fishing industry. Cheng said there are some 20 Chinese investment societies in the Moroccan fishing industry. Chinese fishermen team up with Moroccans and spend up to two-three months at sea at a time (five Chinese fishermen join twenty Moroccans per boat, he said). This is a profitable partnership, he said.

Western Sahara: Shaking off the Saharan Council  
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15. (C) Ambassador told Cheng there were various reports about Hu's meeting with the president of the Royal Council for Saharan Affairs (CORCAS), Khali Henna. Cheng chuckled and said the Moroccans had exaggerated the contact between the two. Cheng explained that Deputy FM Fassi Fihri had called him, after President Hu had already arrived in Rabat, to see whether Khali Henna could be introduced to Hu. Cheng told Fassi Fihri that Hu's program was already full and that a meeting was not possible. Fassi Fihri called back a few hours later and proposed a brief meeting at the Hilton Hotel as Hu departed. Cheng said he discussed the proposal with

President Hu, and they agreed to it. Cheng said after all we were in Morocco, and it would be rude to refuse. So Khali Henna greeted Hu in the lobby of the hotel, and they exchanged niceties for a minute or two. Khali Henna made the point that Morocco appreciated China's support on the Western Sahara (Note: the Chinese have a contingent of some eighteen troops in the MINURSO peacekeeping mission in the Western Sahara) and noted that Morocco "would have an autonomy proposal soon." Cheng said Hu told Khali Henna that a solution needed to be found to the Western Sahara conflict that was acceptable to all parties. Cheng said after reading reports in some Moroccan media outlets that a "meeting" had taken place between Hu and Khali Henna, he telephoned Fassi Fihri to complain. Fassi Fihri told Cheng he had told the media not to exaggerate the story. Cheng added that Algerian Ambassador Belkheir had also telephoned him to seek assurances that a "meeting" between Hu and CORCAS had not taken place.

16. (C) Ambassador Riley asked Cheng for his views on CORCAS. Cheng said CORCAS was a "gesture" by Morocco; it had been around for a long time and now was being "redynamized." Cheng said the Moroccans had made clear they were going to present a new autonomy proposal, but "we do not know its contents." (Note: Fassi Fihri visited China in April during a round of diplomacy on the Western Sahara with the P-5). Having committed itself to autonomy, Cheng said, it was difficult for the GOM to go back. If the Moroccans do not produce something after all the fanfare, the international community will be disappointed. Most of the Moroccan political parties were of one mind on the Western Sahara (ie, in agreement on autonomy). Cheng noted that Algeria and the Polisario already seemed to have rejected the plan, even before its contents were revealed.

17. (C) Ambassador Riley shared his view that CORCAS seemed to be mostly a publicity exercise to promote the Moroccan view on the Sahara. He said there was little evidence of genuine debate within CORCAS about the Sahara. The foreign ministry's roll-out of CORCAS in March had been "disappointing." CORCAS members were chosen, not elected. He feared the reinvigoration of CORCAS might not really be a

sign of progress on the Western Sahara.

#### Strangled in Moroccan Red Tape

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18. (C) Returning to Hu's visit and China's economic interest in Morocco, Ambassador Riley asked whether the issue of Morocco amending some its laws to be more attractive to investors came up during the Hu visit. Cheng said that two-way trade between Morocco and China amounted to about USD 1.5 billion, but it was heavily imbalanced. China sought to lower Morocco's deficit, but Morocco had little to sell to China. China was interested in fish meal from Morocco, but Morocco did not produce enough. To correct the trade disparity China was increasing imports of Moroccan phosphates. The two countries signed contracts to raise imports to 800 million tons per year from 2007-2111 (they stand at 150 million tons now). China imports a lot of fertilizer, Cheng said, much of it from the US. Moroccan fertilizer is more expensive than US fertilizer, but the quality is better. Cheng complained that the Moroccan textile industry is not productive; during the month of Ramadan, Moroccan workers show up at the factory "but don't work." Ambassador Riley countered that, based on his visits to numerous Moroccan factories, only about ten percent of workers take time off during the day to pray. Cheng explained it was due more to fatigue and lack of productivity than absences for prayer.

19. (C) Cheng continued that the investment climate in Morocco is problematic. In China a business partner does all of the formalities for the investor (one-stop shopping, he seemed to imply), whereas in Morocco one has to jump through a variety of hoops to get established. Recently a Chinese group had tried to visit Morocco to view medical instruments for purchase. The group received their Moroccan visas too late and had to cancel the trip. A Chinese plastics company

had other difficulties with the Moroccan authorities. On another occasion seven Chinese workers wanted to come to Morocco to replace their colleagues, but the GOM said the incumbents needed to depart the country before the replacements would arrive. We have a lot of pressure on us to deal with the problem of illegal immigration, the Moroccans said. Cheng said this particular situation had nothing to do with illegal immigration. That's a separate issue. "Morocco needs to change its system," Cheng said, and "improve its investment environment." On Hu's final day in Morocco, Cheng said, the Chinese told the Moroccans they wanted to deal with fewer formalities on the commercial side. Morocco is a place where some individual investors come, but "no one wants to come and build a factory." Cheng said the Chinese fared much better in Algeria from a commercial point of view. At any given time, he said, there are 30,000 Chinese working in Algeria. The infrastructure is better. There are not even very many Chinese restaurants in Morocco, Cheng said, because it is not profitable.

110. (C) Ambassador Riley asked Cheng what the single greatest obstacle to Chinese investment in Morocco was. Cheng said it was hard to say, but getting vehicles into the country was particularly difficult. In response to Ambassador Riley's question, he said there were no problems on the judicial end or with the court system. Ambassador Riley said this was a problem area for some US companies. Cheng clarified that up to this point China has not actually started Chinese companies or even established new businesses in partnership with Moroccans, and has so far limited its "investment" to taking minority stakes in companies (note: this is different from what we have read in the press).

111. (C) Cheng said the Moroccans admire the Chinese. "They want to know what our secret is. It's hard work and discipline." There is no firm line between capitalist and socialist economic systems, he said. There is common ground, and often there ends up "being a mix." The key was cooperation. Ambassador commented he had sat next to the Moroccan Minister of Employment recently and remarked that a

recent poll showed that creation of employment was the most important priority for Moroccans. The Minister responded that the issue was complicated by the fact that so many Moroccans seek public sector jobs for the security. Ambassador Cheng concluded by saying that, economically, Morocco needs to open its doors and tear down the walls, and "and we all need to be patient."

¶12. (SBU) For more details of the specific agreements signed between Morocco and China during Hu's visit, see Reftel A.

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<http://www.state.sgov.gov/p/nea/rabat>  
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Riley